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Universal Service Administrative Company  
Federal Communications Commission  
Office of the Secretary  
Schools & Libraries Division

George McDonald  
USAC Vice President, SLD

December 5, 2001

**FCC Secretary: Please  
file under CC Docket No. 02-6  
Pursuant to DA 03-1731,  
a PN released on May 16, 2003**

Cesar A. Rey Hernandez  
Secretary  
Puerto Rico Department of Education  
P.O. Box 190759  
San Juan, Puerto Rico 00919 0759

RE: Presence of Computers to Use Schools and Libraries Universal Service Support  
Mechanism Discounted Service

Dear Mr. Rey:

The Puerto Rico Department of Education (PRDOE) requested Schools and Libraries Universal Service Support Mechanism discounts for Funding Year 1 (January 1, 1998, through June 30, 1999) for telecommunications services, Internet access, and internal connections, and \$46.2 million in discounts were approved covering all three service categories. Of that total, \$21.7 million has been disbursed for telecommunications and internal connections.

During our review of PRDOE's request for Funding Year 1 discounts, SLD asked for evidence that PRDOE had "secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services," as it had certified on FCC Form 471.

Based on the information provided in response to our request, we concluded that PRDOE had demonstrated that there would be the necessary resources (including computers) to make effective use of the discounted service and approved the requests.

As you know, PRDOE was selected for a beneficiary review during the summer of 2000 to be conducted by Arthur Andersen, LLP on behalf of the Universal Service Administrative Company (USAC). The final report on the beneficiary review of PRDOE concluded as follows:

[Andersen] noted that there were no (desktop) computers in any of the classrooms visited at either school. Consequently, due to the lack of classroom computers, we ascertained that the PRDOE was not able (as of the date of our site visit) to fully meet the educational objectives (and training requirements) for which E-rate funding had been provided.

The schools that Andersen visited were Bella Vista Elementary School and Dr. Jose M. Lazaro Senior High School. Discounted equipment had been installed at both schools.

USAC is very concerned regarding this finding. Not only did we commit \$46.2 million to PRDOE For Funding Year 1, we also committed \$56.9 million for Funding Year 2 (July 1, 1999, through June 30, 2000), and \$55.6 million for Funding Year 3 (July 1, 2000, through June 30, 2001). PRDOE has Funding Year 4 requests totaling over \$40 million pending with SLD.

In light of USAC's concerns, PRDOE must provide additional information concerning its ability to use Schools and Libraries Support Mechanism funding. Before USAC will commit any additional funding to PRDOE, and before USAC can decide whether we should seek recovery of some of the funds that have been disbursed, we must determine whether the PRDOE has been meeting its responsibility to make effective use of the services for which we have been providing discounts.

To that end, USAC requests a response within 30 days of the date of this letter with detailed information about the acquisition of computers to make use of the connections for which we provided discounts. Please provide specific information about the computer acquisitions. Please provide a list of the schools where equipment has been installed and include the date of the equipment installation. Please also indicate, by school, whether, how many, and when computers were installed to make use of the resulting service.

Furthermore, given this audit finding, we are concerned that you may not have the other necessary resources referenced above. If there are no computers, we are concerned that you may not have secured access to sufficient software, or that you may not have trained your teachers. We are also concerned that you may have not secured access to sufficient maintenance or that you may not have upgraded your electrical connections in these and other schools. Therefore, please also provide us specific and detailed information about your investments in productivity and curriculum software; your progress in delivering professional development to ensure that educators know how to use these new technologies to improve education; your resources to maintain computers and peripherals, and your evaluation of, and any necessary upgrades to, the electrical systems in your schools.

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Because of USAC's significant concerns regarding this matter, USAC will neither commit nor disburse Schools and Libraries Support Mechanism funding to PRDOE's vendors until it has received and evaluated PRDOE's response to this letter. If you have any questions about this request for information, please contact me at 202-776-0200.

Thank you in advance for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "George McDonald".

George McDonald  
USAC Vice President, SLD

cc: Mark Seifert, Common Carrier Bureau, FCC